

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PA-01 USIA-06

PRS-01 AGR-05 SS-15 NSC-05 /088 W

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R 251001Z APR 75

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 4228

INFO AMEMBASSY PARIS

AMCONGEN ASMARA

AMEMBASSY LONDON

AMEMBASSY NAIROBI

LIMITED OFFICIAL USE ADDIS ABABA 4917

E.O. 11652: N/A

TAGS: EFIN

SUBJECT: GOVERNOR OF NATIONAL BANK DISCUSSES ECONOMIC SITUATION

1. ACCORDING TO THE ETHIOPIAN HERALD, ATO TAFFARA DEGUEFE, GOVERNOR OF THE NATIONAL BANK OF ETHIOPIA, MADE THE FOLLOWING POINTS DURING A PRESS CONFERENCE THIS WEEK.

A. NET FOREIGN RESERVES CURRENTLY STAND AT ETH\$550 MILLION, ETH\$100 MILLION LOWER THAN ONE YEAR AGO (SEE COMMENT BELOW).

B. ETHIOPIA'S BALANCE OF TRADE DEFICIT FOR CY74 WAS ETH\$5 MILLION, IMPORTS BEING ETH\$570 MILLION AND EXPORTS ETH\$565 MILLION.

C. IN VIEW OF LOW WORLD PRICES FOR ETHIOPIA'S EXPORT COMMODITIES SUCH AS COFFEE, THE GOVERNMENT SHOULD WAIVE, TEMPORARILY, TAXES ON THESE COMMODITIES IN ORDER TO GET EXPORTS MOVING AGAIN.

D. A COMPREHENSIVE NATIONAL ECONOMIC PLAN IS NEEDED IN ORDER
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TO GUIDE THE ECONOMY. IN THIS CONNECTION ETHIOPIA HAS SOME

ETH\$600 MILLION IN CREDITS AVAILABLE AND THEIR UTILIZATION
DEPENDS UPON FORMULATION OF SOUND PROJECTS WITHIN A COMPREHENSIVE
ECONOMIC PLAN. MORE OVER, IT IS VERY DIFFICULT TO DEVELOP A
SENSIBLE MONETARY POLICY IN THE ABSENCE OF AN OVERALL PLAN.

E. DEPOSITS HAVE DECLINED IN ALL BANKS LATELY BUT THIS WAS
MOSTLY BECAUSE PEOPLE HAD TO PAY TAX ARREARAGES. CURRENTLY TOTAL
DEPOSITS HAVE REACHED ETH\$560 MILLION AND TOTAL LOANS STAND
AT ETH\$550 MILLION.

2. COMMENT. IN A CONVERSATION WITH AN EMBASSY OFFICER, ATO
TAFFARA INDICATED THAT HIS FOREIGN RESERVE FIGURE OF ETH\$550
MILLION INCLUDED ONLY NATIONAL BANK RESERVES AND WHEN COMMERCIAL
BANK RESERVES WERE ADDED TO THE NATIONAL BANK RESERVES ETHIOPIA'S
FOREIGN EXCHANGE RESERVE LEVEL IS ACUTALLY ABOUT ETH\$600 MILLION.
ATO TAFFARA INDICATED THAT HE USED THE LOWER FIGURE ON PURPOSE
BECAUSE HE WANTED TO PRESENT "A SOMBER PICTURE" OF THE CURRENT
SITUATION. ATO TAFFARA CONTINUES TO SPEAK OUT COURAGEOUSLY IN
THE NAME OF ECONOMIC COMMON SENSE, E.G., THE EXPORT-TAX ISSUE.
AT THE SAME TIME HE HAS MANAGED TO MAINTAIN HIS STANDING WITH THE
CURRENT REGIME WHICH IS A MEASURE OF THE HIGH ESTEEM IN WHICH HE
IS HELD, AND WHICH AUGERS WELL FOR SOME CONTINUED BALANCE IN THE
EPMG'S ECONOMIC POLICY-MAKING PROCESS.
HUMMEL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, PRESS CONFERENCES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ADDIS04917
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750145-1117
From: ADDIS ABABA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750414/aaaaamsp.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2003 by BoyleJA>; APPROVED <21 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOVERNOR OF NATIONAL BANK DISCUSSES ECONOMIC SITUATION
TAGS: EFIN, ET, (DEGUEFE, TAFFARA)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006